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**REPORT OF THE AUDIT OF THE  
TRIGG COUNTY  
SHERIFF'S SETTLEMENT - 2006 TAXES**

**For the Period April 29, 2006 through April 27, 2007**

**Member Kentucky Society of CPA's  
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To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Stanley H. Humphries, Trigg County Judge/Executive  
Honorable Randy K. Clark, Trigg County Sheriff  
Members of the Trigg County Fiscal Court

Independent Auditor's Report

I have audited the Trigg County Sheriff's Settlement - 2006 Taxes for the period April 29, 2006 through April 27, 2007. This tax settlement is the responsibility of the Trigg County Sheriff. My responsibility is to express an opinion on the financial statement based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Trigg County Sheriff's taxes charged, credited, and paid for the period April 29, 2006 through April 27, 2007, in conformity with the modified cash basis of accounting.

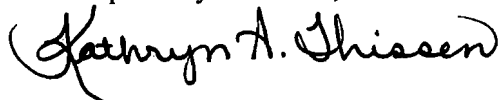
In accordance with Government Auditing Standards, I have also issued my report dated December 17, 2007, on my consideration of the Sheriff's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Stanley H. Humphries, Trigg County Judge/Executive  
Honorable Randy K. Clark, Trigg County Sheriff  
Members of the Trigg County Fiscal Court

Based on the results of my audit, I have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, reading "Kathryn A. Thissen". The signature is written in a cursive style with a large, looping initial 'K'.

Kathryn A. Thissen  
Certified Public Accountant

December 17, 2007

TRIGG COUNTY  
RANDY K. CLARK, SHERIFF  
SHERIFF'S SETTLEMENT - 2006 TAXES

For the Period April 29, 2006 through April 27, 2007

Charges	County Taxes	Special Taxing Districts	School Taxes	State Taxes
Real Estate	\$ 479,095	\$ 874,058	\$ 2,692,636	\$ 776,255
Tangible Personal Property	27,838	40,334	93,562	176,931
Fire Protection	1,359			
Increase Through Exonerations	313	453	1,052	
Franchise Corporation	32,715	47,080	125,581	
Additional Billings	559	766	3,147	1,669
Limestone, Sand, and Mineral Reserves	81	106	453	130
Penalties	2,505	5,333	13,957	4,126
Adjusted to Sheriff's Receipt	7	26	(8)	(3)
Gross Chargeable to Sheriff	<u>544,472</u>	<u>968,156</u>	<u>2,930,380</u>	<u>959,108</u>
Credits				
Discounts	7,622	13,231	41,663	14,683
Exonerations	3,127	5,817	17,575	5,033
Delinquents:				
Real Estate	6,961	23,734	39,121	11,278
Tangible Personal Property	275	399	926	864
Total Credits	<u>17,985</u>	<u>43,181</u>	<u>99,285</u>	<u>31,858</u>
Net Tax Yield	526,487	924,975	2,831,095	927,250
Less: Commissions *	<u>22,663</u>	<u>31,967</u>	<u>113,244</u>	<u>39,696</u>
Net Taxes Due	503,824	893,008	2,717,851	887,554
Taxes Paid	503,000	892,017	2,713,203	886,385
Refunds (Current and Prior Year)	<u>679</u>	<u>924</u>	<u>3,840</u>	<u>1,192</u>
Due Taxing Districts or (Refund) Due Shierff as of Completion of Fieldwork	<u>\$ 145</u>	<u>\$ 67</u>	<u>\$ 808</u>	<u>\$ (23)</u>

\*\*

\* and \*\* See Page 4

The accompanying notes are an integral part of the financial statement.

TRIGG COUNTY  
RANDY K. CLARK, SHERIFF  
SHERIFF'S SETTLEMENT – 2006 TAXES  
For the Period April 29, 2006 through April 27, 2007

\* Commissions:

10% on \$	10,000
4.25% on	2,142,730
4% on	2,831,095
1% on	225,982

\*\* Special Taxing Districts:

Library District	\$	52
Hospital District		133
Volunteer Fire Districts		<u>(118)</u>

Due Districts or (Refund)

Due Sheriff from District	\$	<u><u>67</u></u>
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The accompanying notes are an integral part of the financial statement.

TRIGG COUNTY  
NOTES TO FINANCIAL STATEMENT

April 27, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

TRIGG COUNTY  
NOTES TO FINANCIAL STATEMENT  
For the Period April 29, 2006 through April 27, 2007  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial risk but rather follows the requirements of KRS 41.240(4). As of April 27, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied January 1, 2006. Property taxes were billed to finance governmental services for the year ended June 30, 2007. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 18, 2006 through April 27, 2007.

Note 4. Interest Income

The Trigg County Sheriff earned \$15,139 as interest income on 2006 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Trigg County Sheriff collected \$19,396 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Trigg County Sheriff collected \$2,540 of advertising costs and \$2,735 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

*Kathryn A. Thissen*  
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The Honorable Stanley H. Humphries, Trigg County Judge/Executive  
Honorable Randy K. Clark, Trigg County Sheriff  
Members of the Trigg County Fiscal Court

Report On Internal Control Over Financial Reporting And On Compliance  
And Other Matters Based On An Audit Of The Financial Statement  
Performed In Accordance With Government Auditing Standards

I have audited the Trigg County Sheriff's Settlement - 2006 Taxes for the period April 29, 2006 through April 27, 2007, and have issued my report thereon dated December 17, 2007. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Trigg County Sheriff's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Trigg County Sheriff's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a certain deficiency in the internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

I consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in the internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Report On Internal Control Over Financial Reporting And On Compliance  
And Other Matters Based On An Audit Of The Financial Statement  
Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I consider the significant deficiency described above to be a material weakness.

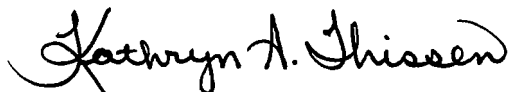
Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Trigg County Sheriff's Settlement - 2006 Taxes, for the period April 29, 2006 through April 27, 2007 is free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Trigg County Sheriff's response to the finding identified in my audit is included in the accompanying comment and recommendation. I did not audit the Sheriff's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, Trigg County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Kathryn A. Thissen  
Certified Public Accountant

December 17, 2007

## COMMENT AND RECOMMENDATION

TRIGG COUNTY  
RANDY K. CLARK, SHERIFF  
COMMENT AND RECOMMENDATION

For the Period April 29, 2006 through April 27, 2007

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

The Sheriff's Office Lacks Adequate Segregation Of Duties

During my review of the internal control structure, I noted the following lack of segregation of duties over revenues and expenditures.

- The Sheriff's bookkeeper collects money, prepares deposits, prepares daily cash checkouts, and prepares the revenue ledger.
- The Sheriff's bookkeeper signs all checks with no requirement for a second signature.
- The Sheriff's bookkeeper prepares the monthly tax reports for property taxes and franchise taxes and distributes the checks to the taxing districts.

No compensating controls were noted to offset any of these control deficiencies. Therefore, the control deficiencies as described above are significant deficiencies and material weaknesses. The Sheriff should have segregated duties over revenues and expenditures or should have implemented the compensating controls noted below to offset these internal control weaknesses.

- The Sheriff or his designee should periodically compare daily tax collections to the daily bank deposit and to the daily checkout sheet and then compare the daily checkout sheet to the revenue ledger. Any differences should be reconciled. This should be documented by initialing the bank deposit, daily checkout sheet, and revenue ledger.
- The Sheriff or his designee should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. This should be documented by initialing the bank reconciliation and the balance in the checkbook.
- The Sheriff or his designee should examine tax distributions prepared by bookkeeper, deliver tax distributions checks and monthly tax reports to the taxing districts, and receive a signed receipt documenting delivery. This should be documented by initialing the monthly tax reports. All disbursement checks should be signed by two people and one being the official.

*Sheriff's Response: Due to limited staff, it is difficult not to have a lack of segregation of duties.*

PRIOR YEAR:

The following finding was reported in the prior year audit report and has not been corrected.

- The Sheriff's Office Lacks Adequate Segregation Of Duties